

Message Text

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PAGE 01 JAKART 12856 011101Z

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ACTION COME-00

INFO OCT-01 EA-07 ISO-00 EB-05 SS-20 DRC-01 RSC-01 AGR-03

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FM AMEMBASSY JAKARTA

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PLEASE PASS USDOC (MEPD)

E.O. 11652: N/A

TAGS: BGEN,EFIN,ID

SUBJECT: MAJOR EXPORT PROJECTS DEVELOPMENTS

REFS: (A) JAKARTA 12560 (B) STATE 211646

1. SUMMARY: VISIT OF MAJOR EXPORT PROJECTS

DIVISION REP CRAIG ATKINS WAS HIGHLY USEFUL TO MISSION IN HELPING OPEN UP POTENTIALLY IMPORTANT STEEL AND FERTILIZER PLANT EXPORT OPPORTUNITIES. IN ADDITION JOINT ATKINS/US MISSION EFFORT DURING HIS VISIT FURTHERED INTERESTS OF U.S. FIRM IN MAJOR PULP PROJECT. EMBASSY BELIEVES U.S. EXIMBANK ROLE MAY BE IMPORTANT TO SUCCESSFUL FOLLOW-UP. END SUMMARY

2. ON MONDAY, OCTOBER 22, ATKINS ACCOMPANIED AMBASSADOR, ECON/COMMERCIAL COUNSELOR, OTHER U.S. MISSION STAFF AND GENERAL IBNU SUTOWO TO SITE FOR \$700 MILLION KRAKATAU STEEL MILL COMPLEX. RESPONDING TO THE AMBASSADOR'S QUESTION DURING A LUNCHEON CONVERSATION IBNU STATED HE WOULD WELCOME A PROPOSAL FROM AMERICAN INTERESTS AND WOULD BE PREPARED TO MEET TO DISCUSS THE PROJECT AROUND THE

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PAGE 02 JAKART 12856 011101Z

TENTH OF DECEMBER. ATKINS INFORMED IBNU HIS OFFICE WOULD

UNDERTAKE TO INTEREST APPROPRIATE AND QUALIFIED U.S. COMPANIES AND HE WOULD PREPARE A N OUTLINE PLAN FOR IBNU'S APPROVAL BY WEDNESDAY. (SEE REF A.)

3. ON WEDNESDAY ECON/COMMERCIAL COUNSELOR, ATKINS AND USAID REP MET WITH IBNU FOR AN HOUR. RE STEEL MILL COMPLEX, ATKINS PRESENTED PLAN TO GENERAL IBNU TO BRING CONSORTIUM OF ARMCO, MCKEE AND KOPPERS TO MAKE PRELIMINARY PROPOSALS FOR STEEL PROJECT ON DECEMBER 10 AND 11.

4. ADDITIONAL CRUCIAL IMPACT COULD BE GAINED BY PARTICIPATION BY MAJOR U.S. FINANCING INSTITUTION WHOM MCKEE WOULD UNDERTAKE TO INVITE. PRESENCE OF FRED STEVENS, PRESIDENT OF THE NATIONAL CONSTRUCTOR'S ASSOCIATION WOULD BE INVALUABLE TO DELEGATION AND WOULD FURTHER ENABLE HIM EXPLORE POSSIBILITY OF HIS LEADING FOLLOW-UP DELEGATION TO INVESTIGATE OTHER MAJOR PROJECTS ASSOCIATED WITH INDONESIA'S DEVELOPMENT PROGRAM. PRESENCE OF EXIM REPRESENTATIVE COULD BE VERY HELPFUL.

5. USAID FERTILIZER ADVISOR STANGEL AND ECON/COMMERCIAL COUNSELOR HEGINBOTHAM JOINTLY PRESENTED TO GENERAL IBNU RATIONALE FOR ESTABLISHING ADDITIONAL AMMONIA FACILITIES IN INDONESIA BASED ON ASURED LONG-TERM EXPORT OFF-TAKE. ASKED IF HE WOULD ENTERTAIN U.S. PROPOSALS, IBNU EXPRESSED POSITIVE INTEREST. HE WAS PARTICULARLY INTRIGUED BY POSSIBILITY THAT U.S. COMPANY BASIC IN PHOSPHATES AND SHORT ON NITROGEN COULD JOINT VENTURE IN AMMONIA FACILITY IN ORDER TO ACQUIRE NITROGEN FOR COMPLEMENTARY EXPORTS TO S.E. ASIA AND ELSEWHERE, IN RETURN FOR EXPORT TO INDONESIA OF PHOSPHORIC ACID OR PHOSPHATE ROCK. LATTER SUGGESTS POSSIBLE RATIONALE FOR PHOSPORIC ACID PLANT HERE ALSO. ATKINS PROMISED TO WORK WITH INTERNATIONAL MINERALS AND CHEMICALS, AND THE M.W. KELLOGG COMPANY TO STRUCTURE THIS PROPOSAL WHICH INITIALLY WOULD CALL FOR ABOUT \$100 MILLION IN U.S. EXPORTS OF CAPITAL EQUIPMENT AND SERVICES.

6. COMBINED U.S. MISSION/COMMERCE TEAM ALSO BROUGHT LIMITED OFFICIAL USE

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PAGE 03 JAKARTA 12856 011101Z

TO ATTENTION OF U.S. FIRM ALREADY BASED IN INDONESIA (CALTEX) POSSIBLE OPPORTUNITY FOR ADDITIONAL PLANTS USING U.S. TECHNOLOGY FOR LONG-TERM AMMONIA EXPORT TO S.E. ASIAN COUNTRIES. FERTILIZER ADVISOR STANGEL BELIEVES OPPORTUNITY EXISTS FOR SEVERAL PLANTS TO EXPORT AMMONIA WITH ASSURED MARKET IN S.E. ASIA IF DECISIONS MADE QUICKLY BY POTENTIAL U.S. INVESTORS, GOI, AND CURRENTLY NITROGEN-SHORT S.E. ASIAN CUSTOMERS.

7. ATKINS VISIT WAS HIGHLY USEFUL IN HELPING US REOPEN
OPPORTUNITY FOR POSSIBLE U.S. PARTICIPATION IN SOME ASPECT
OF AMBITIOUS STEEL DEVELOPMENT IN WHICH GERMANS AND
JAPANESE NOW HAVE LEADING ROLE. VISIT ALSO PROVIDED
OCCASION TO DEVELOP PROSPECTS FOR FERTILIZER DEVELOP-
MENTS HERE WHICH WE BELIEVE NOT YET APPRECIATED BY
OTHER FOREIGN INTERESTS. EMBASY BELIEVES KEY TO
BRINGING THIS BUSINESS TO U.S. WILL BE SUSTAINED
FOLLOW-THROUGH BY COMMERCE MEPD IN CONCERT WITH EMBASSY.
SECOND VITAL FACTOR WILL BE ABILITY TO PACKAGE PROPOSALS
WITH SUITABLE FINANCING. IN THIS RESPECT, BELIEVE
PARTICIPATION OF EXIMBANK REPRESENTATIVE MAY
BE IMPORTANT TO FOLLOW-ON EFFORT IN DECEMBER.
GALBRAITH

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